

# The Gazette of India

## EXTRAORDINARY PART II—Section 2 PUBLISHED BY AUTHORITY

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No. 19] NEW DELHI, SATURDAY, APRIL 16, 1955

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### LOK SABHA

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The following Bills were introduced in the Lok Sabha on 16th April, 1955:—

BILL No. 21 OF 1955

*A Bill to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto.*

WHEREAS for the extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for divers other public purposes it is expedient to constitute a State Bank for India, and to transfer to it the undertaking of the Imperial Bank of India and to provide for other matters connected therewith or incidental thereto;

BE it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

### CHAPTER I

#### PRELIMINARY

1. (1) This Act may be called the State Bank of India Act, 1955. Short title,  
and com-  
mencement.
- (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.
2. In this Act, unless the context otherwise requires,— Definitions.
  - (a) “appointed day” means the date on which this Act comes into force;
  - (b) “Central Board” means the Central Board of Directors of the State Bank;

(c) "goods" includes bullion, wares and merchandise;

(d) "Imperial Bank" means the Imperial Bank of India constituted under the Imperial Bank of India Act, 1920;

XLVII of  
1920.

(e) "prescribed" means prescribed by regulations made under this Act;

(f) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;

II of 1934

(g) "State Bank" means the State Bank of India constituted under this Act.

## CHAPTER II

### INCORPORATION AND SHARE CAPITAL OF STATE BANK

Establish-  
ment of the  
State Bank.

3. (1) A Bank to be called the State Bank of India shall be constituted to carry on the business of banking and other business in accordance with the provisions of this Act and for the purpose of taking over the undertaking of the Imperial Bank.

(2) The Reserve Bank, together with such other persons as may from time to time become shareholders in the State Bank in accordance with the provisions of this Act, shall, so long as they are shareholders in the State Bank, constitute a body corporate with perpetual succession and a common seal under the name of the State Bank of India, and shall sue and be sued in that name.

(3) The State Bank shall have power to acquire and hold property, whether movable or immovable, for the purposes for which it is constituted and to dispose of the same.

Authorised  
capital.

4. Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of rupees divided into twenty lakhs of fully paid up shares of one hundred rupees each:

Provided that the Central Government may increase or reduce the authorised capital as it thinks fit so however that the shares in all cases shall be fully paid up shares of one hundred rupees each.

Issued capi-  
tal.

5. (1) The issued capital of the State Bank shall, on the appointed day, be five crores, sixty two lakhs and fifty thousand rupees divided into five lakhs, sixty two thousand and five hundred shares, all of which shall, on the appointed day, stand allotted to the Reserve Bank in lieu of the shares of the Imperial Bank transferred to it by paragraph 2 of the First Schedule.

(2) The Central Board may from time to time increase the issued capital but no increase in the issued capital shall be made in such a

manner that the Reserve Bank holds at any time less than fifty five per cent. of the issued capital of the State Bank.

(3) No increase in the issued capital beyond twelve crores and fifty lakhs of rupees shall be made under sub-section (2) without the previous sanction of the Central Government.

### CHAPTER III

#### TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK

6. (1) Subject to the other provisions contained in this Act, as from the appointed day,

Transfer of assets and liabilities of the Imperial Bank to the State Bank.

(a) all shares in the capital of the Imperial Bank shall be transferred to, and shall vest in, the Reserve Bank, free of all trusts, liabilities and encumbrances, and

(b) the undertaking of the Imperial Bank shall be transferred to, and shall vest in, the State Bank.

(2) The undertaking of the Imperial Bank shall be deemed to include all rights, powers, authorities and privileges, and all property, movable and immovable, including cash balances, reserve funds, investments and all other interests and rights in, or arising out of, such property as may be in the possession of that Bank immediately before the appointed day, and all books, accounts, and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations of whatever kind then existing of that Bank.

(3) Without prejudice to the provisions contained in section 7, all contracts and other instruments of whatever nature, subsisting or having effect immediately before the appointed day and to which the Imperial Bank is a party, shall be of as full force and effect against or in favour of the State Bank, as the case may be, and may be enforced as fully and effectually as if instead of the Imperial Bank the State Bank had been a party thereto.

(4) If on the appointed day any suit, appeal or other legal proceeding of whatever nature, is pending by or against the Imperial Bank, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the State Bank of the undertaking of the Imperial Bank or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the State Bank.

7. (1) Every officer or other employee of the Imperial Bank (excepting the managing director, the deputy managing director and other directors) in the employment of the Imperial Bank immediately before the 19th day of December, 1954, and continuing in such employment on the appointed day shall, as from the appointed day, become an officer or other employee, as the case may be, of the State

Transfer of service of existing officers and employees of the Imperial Bank to the State Bank.

Bank, and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same immediately before the appointed day if its undertaking had not vested in the State Bank, and shall continue to do so unless and until his employment in the State Bank is terminated or until his remuneration, terms or conditions are duly altered by the State Bank.

(2) Any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit from the Imperial Bank shall be entitled to be paid by, and to receive from, the State Bank the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final:

Provided that no pension, allowance or benefit granted after the 19th day of December, 1954, and before the appointed day which would not ordinarily have been admissible under the rules or authorisations of the Imperial Bank in force prior to the said 19th day of December, 1954, shall be payable by or claimable from the State Bank unless the Central Government has, by general or special order, directed the continued grant thereof.

(3) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the XIV of 1947. transfer of the services of any officer or other employee of the Imperial Bank from that Bank to the State Bank shall not entitle such officer or other employee to any compensation under that Act or other law, and no such claim shall be entertained by any court, tribunal or other authority.

(4) Any person holding office as managing director, deputy managing director, director or member of any Local Board of the Imperial Bank immediately before the appointed day shall be deemed to have vacated his office as such on the appointed day, and notwithstanding anything contained in this Act or in any other law for the time being in force or in any agreement or contract, he shall not be entitled to any compensation from the Imperial Bank or the State Bank for the loss of office or for the premature termination of any agreement or contract relating to his employment, except such pension, compensation or other benefit which the State Bank may grant to him, having regard to what that person would have received as an officer of the Imperial Bank if this Act had not been passed and if he had retired from his employment in the ordinary course.

(5) Where any managing director, deputy managing director, director, officer or other employee of the Imperial Bank has, after the 19th day of December, 1954, and before the appointed day, been paid any sum by way of compensation or gratuity, the State Bank shall be entitled to claim refund of any sum so paid if the payment is not confirmed by the Central Government by general or special order.

8. For the trustees or other officers in charge of the provident pension and other funds constituted for the purposes of the Imperial Bank or for the benefit of its officers or other employees and now transferred to the State Bank, there shall be substituted as trustees or other officers in charge of those funds such persons as the Central Government may, by general or special order, specify. Existing provident and other funds of the Imperial Bank.

9. (1) Every person who immediately before the appointed day is registered as a holder of shares in the Imperial Bank shall be entitled to compensation in accordance with the provisions contained in the First Schedule. Compensation to be given to shareholders of Imperial Bank.

(2) Nothing contained in sub-section (1) shall affect the rights *inter se* between the holder of any share in the Imperial Bank and any other person who may have an interest in such share, and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share, but not against the Reserve Bank.

## CHAPTER IV

### SHARES

10. (1) Save as otherwise provided in sub-section (2), the shares of the State Bank shall be freely transferable. Transferability of shares.

(2) Nothing contained in sub-section (1) shall entitle the Reserve Bank to transfer any shares held by it in the State Bank if such transfer will result in reducing the shares held by it to less than fifty five per cent. of the issued capital of the State Bank.

11. No person other than the Reserve Bank shall be registered as a shareholder in respect of any shares held by him, whether in his own name or jointly with any other person, in excess of five per cent. of the issued capital at any time or be entitled to payment of any dividend on such shares or to exercise any of the rights of a shareholder in respect of such shares otherwise than for the purpose of selling the shares. Restriction on individual holdings.

12. Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of the State Bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, and also to be approved securities for Shares to be approved securities.

the purposes of the Insurance Act, 1938, and the Banking Companies Act, 1949. IV of 1938.  
X of 1949.

Principal  
register of  
shareholders.

13. The State Bank shall keep in one or more books a register of the shareholders (in this Act referred to as the principal register), and shall enter therein the following particulars so far as they may be available:—

(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(ii) the date on which each person is so entered as a shareholder;

(iii) the date on which any person ceases to be a shareholder; and

(iv) such other particulars as may be prescribed.

Branch registers.

14. (1) The State Bank shall cause to be kept at its local head offices branch registers which shall be deemed to be part of the principal register, and in which shall be entered the particulars as in the principal register of shareholders whose registered addresses are within the areas prescribed with reference to each register.

(2) Any shareholder may apply to have his name transferred from one branch register to another in respect of the whole, but not any part, of the shares standing in his name, and the State Bank shall, subject to such conditions as may be prescribed cause the registers to be amended accordingly.

Trusts not  
to be entered  
in the register.

15. No notice of any trust, express, implied or constructive, shall be entered on the principal or any branch register or be receivable by the State Bank.

## CHAPTER V

### MANAGEMENT

Offices, branches, and agencies.

16. (1) Unless otherwise provided by the Central Government, by notification in the Official Gazette, the central office of the State Bank shall be at Bombay.

(2) The State Bank shall have local head offices in Bombay, Calcutta and Madras and at such other places in India as the Central Government, in consultation with the Central Board, may determine.

(3) The State Bank shall maintain as its branches or agencies all branches or agencies of the Imperial Bank which were in existence

immediately before the appointed day, and no such branch may be closed without the previous approval of the Reserve Bank.

(4) The State Bank may establish branches or agencies at any place in or outside India in addition to the branches or agencies referred to in sub-section (3).

(5) Notwithstanding anything contained in sub-section (4), the State Bank shall establish not less than four hundred branches in addition to the branches referred to in sub-section (3) within five years of the appointed day or such extended period as the Central Government may specify in this behalf, and the places where such additional branches are to be established shall be determined in accordance with any such programme as may be drawn up by the Central Government from time to time in consultation with the Reserve Bank, and no branch so established shall be closed without the previous approval of the Reserve Bank.

17. (1) The general superintendence and direction of the affairs and business of the State Bank shall be entrusted to the Central Board which may exercise all powers and do all such acts and things as may be exercised or done by the State Bank and are not by this Act expressly directed or required to be done by the State Bank in general meeting. Management

(2) The Central Board in discharging its functions shall act on business principles, regard being had to public interest.

18. (1) In the discharge of its functions, the State Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may, in consultation with the Governor of the Reserve Bank and the chairman of the State Bank, give to it. Central Board to be guided by directions of Central Government.

(2) All directions given by the Central Government shall be given through the Reserve Bank and, if any question arises whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

19. (1) The Central Board shall consist of the following, namely:— Composition of the Central Board.

(a) a chairman and a vice-chairman to be appointed by the Central Government after consideration, except in the case of first appointments, of the recommendations made by the Central Board in that behalf;

(b) not more than two managing directors, if any, appointed by the Central Board with the approval of the Central Government;

(c) six directors to be elected in the prescribed manner by the shareholders, other than the Reserve Bank, whose names are entered in the various branch registers:

Provided that if the total amount of the holdings of all such shareholders on any branch register three months before the date fixed for election is below five per cent. of the total issued capital, all the directors to be elected by the shareholders on that register shall be nominated by the Reserve Bank, and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause;

(d) eight directors to be nominated by the Central Government in consultation with the Reserve Bank to represent, as far as possible, territorial and economic interests and in such manner that not less than two of them have experience of co-operation and rural economy and the others have experience in commerce, industry, banking or finance;

(e) one director to be nominated by the Central Government; and

(f) one director to be nominated by the Reserve Bank.

(2) Notwithstanding anything contained in clauses (b) and (c) of sub-section (1), on the first constitution of the Central Board all the directors referred to in the said clauses shall be appointed by the Central Government, and the directors so appointed shall, for the purposes of this Act, be deemed to have been appointed or elected, as the case may be, within the meaning of the said clauses.

(3) All directors of the Central Board first constituted, other than the chairman, vice-chairman and managing directors, shall retire at the expiry of two years from the appointed day.

**Term of office of chairman, managing director, etc.** 20. (1) The chairman and the vice-chairman shall hold office for such term, not exceeding five years, as the Central Government may fix when appointing them and shall be eligible for reappointment.

(2) A managing director shall hold office for such term, not exceeding five years, as the Central Board or in the case of the first two appointments, the Central Government, may fix when appointing him, and shall be eligible for reappointment.

(3) Subject to the provisions contained in section 19 and in sub-section (5), a director elected under clause (c) of sub-section (1) of section 19 or nominated under clause (d) of that sub-section shall hold office for four years and thereafter until his successor shall have been duly elected or nominated, and shall be eligible for re-election or renomination.



(4) A director nominated under clause (e) or clause (f) of sub-section (1) of section 19 shall hold office during the pleasure of the authority nominating him.

(5) The following provisions shall have effect in relation to directors elected or nominated to the Central Board after the expiration of two years from the appointed day:—

(i) out of the six directors elected under clause (c) of sub-section (1) of section 19, two shall retire at the end of one year, two at the end of two years and two at the end of three years from such expiration;

(ii) out of the eight directors nominated under clause (d) of sub-section (1) of section 19, two shall retire at the end of one year, two at the end of two years, two at the end of three years and two at the end of four years from such expiration;

(iii) the directors to retire at the end of each year under clauses (i) and (ii) shall be determined by lot.

21. (1) There shall be constituted at each place where the State Bank has a local head office, a Local Board which shall consist of the following members, namely:—

Local Boards  
and Local  
Committees.

(a) all the directors elected or nominated to the Central Board under clause (c) or clause (d) of sub-section (1) of section 19 and ordinarily resident in the area served by the branch register of the local head office; and

(b) such number not exceeding four to be elected by the shareholders whose names are entered on the branch register or nominated by the Central Government in consultation with the Reserve Bank as may be prescribed;

(2) A Local Committee may be constituted by the Central Board for any area consisting of such number of members as it may determine.

(3) A Local Board and a Local Committee shall exercise such powers and perform such functions and duties as the Central Board may, by regulations made by it, assign to the Local Board or Local Committee.

22. (1) No person shall be qualified to be a director of the Central Board or a member of a Local Board or of a Local Committee if—

Disqualifications for directorship of Central Board or membership of Local Boards or Committees

(a) he holds the office of director, provisional director, promoter, agent or manager of any banking company already established or advertised as about to be established; or

(b) he is a salaried officer of Government not specially authorised by the Central Government to be a director or member; or

(c) he holds any office of profit under the State Bank other than the office of chairman, vice-chairman or managing director; or

(d) he is or at any time has been adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or

(e) he is declared lunatic or becomes of unsound mind; or

(f) he is or has been convicted of any offence involving moral turpitude; or

(g) in the case of an elected director or an elected member, he is not registered as a holder in his own right of unencumbered shares in the State Bank of a nominal value of at least ten thousand rupees:

Provided that in the case of a director or member deemed to have been elected to the Central Board or a Local Board, as the case may be, on its first constitution, the disqualification mentioned in clause (g) shall not operate for a period of six months from his becoming such director or member.

(2) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner may be directors of the Central Board or members of the same Local Board or Local Committee at the same time.

(3) The appointment, nomination or election as director or member of a Local Board or of a Local Committee of any person who is a member of Parliament or the Legislature of any State shall be void unless within two months of the date of his appointment, nomination or election he ceases to be a member of Parliament or the State Legislature, and if any director or member of a Local Board or of a Local Committee is elected or nominated as a member of Parliament or any State Legislature, he shall cease to be a director or member of the Local Board or of the Local Committee as from the date of such election or nomination, as the case may be.

Vacation of  
office of directors,  
etc.

23. If a director of the Central Board or a member of a Local Board or a Local Committee—

(a) becomes subject to any of the disqualifications mentioned in section 22; or

(b) resigns his office by giving notice in writing to the Central Board under his hand and the resignation is accepted; or

(c) is absent without leave of the Central Board, the Local Board or the Local Committee of which he is a director or member, as the case may be, for more than three consecutive meetings thereof;

his seat shall thereupon become vacant.

24. (1) The Central Government may, after consulting the Reserve Bank, remove from office the chairman or the vice-chairman.

Removal  
from office of  
directors, etc.

(2) The Central Board may, with the approval of the Central Government, remove from office a managing director.

(3) The Central Government, after consulting the Reserve Bank, may remove from office any director nominated under clause (d) of sub-section (1) of section 19 and nominate in his stead another person to fill the vacancy.

(4) The shareholders, other than the Reserve Bank, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders, remove any director elected under clause (c) of sub-section (1) of section 19 and elect in his stead another person to fill the vacancy.

(5) The shareholders whose names are entered on a branch register, other than the Reserve Bank, may, by a resolution passed by the votes of the shareholders holding in the aggregate not less than one-half of the share capital on the branch register held by such shareholders, remove any elected member of a Local Board and elect in his stead another person to fill the vacancy.

(6) No person shall be removed from his office under sub-section (1) or sub-section (2) or sub-section (3) unless he has been given an opportunity of showing cause against his removal.

25. (1) If the chairman, vice-chairman or a managing director is rendered incapable of discharging his duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, in the case of the chairman or vice-chairman, after considering the recommendations of the Central Board made in this behalf, and the Central Board may, in the case of a managing director, with the approval of the Central Government, appoint another person to officiate in the vacancy.

Casual vacancies.

(2) Where any vacancy occurs before the expiry of the term of office of a director, other than the chairman, vice-chairman or a managing director, the vacancy shall be filled—

(a) in the case of an elected director, by election; and

(b) in the case of a director nominated under clause (d) of sub-section (1) of section 19, by nomination in consultation with the Reserve Bank:

Provided that where the duration of the vacancy in the office of an elected director is likely to be less than six months, the vacancy may be filled by the remaining directors by co-opting a person not disqualified under section 22.

(3) A person elected or nominated or co-opted, as the case may be, under this section shall hold office for the unexpired portion of the term of his predecessor.

**Remuneration of directors.**

26. (1) Without prejudice to the provisions contained in sections 27, 28 and 29, the directors shall be paid such fees and allowances for attending the meetings of the Central Board or of any of its Committees and for attending to any other work of the State Bank as may be prescribed.

(2) Notwithstanding anything contained in sub-section (1), no fees shall be payable to a managing director or any other director who is an officer of the Central Government or the Reserve Bank.

**Powers and remuneration of chairman.**

27. (1) The Chairman shall preside at all meetings of the Central Board and, subject to such general or special directions as the Central Board may give, exercise all such powers and do all such acts and things as may be exercised or done by the State Bank.

(2) The Chairman shall receive such salary, fees, allowances and perquisites as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first chairman, the Central Government may determine his salary, fees, allowances and perquisites.

**Powers and remuneration of vice-chairman.**

28. (1) The vice-chairman shall preside at the meetings of the Central Board in the absence of the chairman and, subject to the general control of the chairman, exercise such powers and perform such duties as may be entrusted or delegated to him by the Central Board.

(2) The vice-chairman shall receive such salary, fees, allowances and perquisites as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first vice-chairman, the Central Government may determine his salary, fees, allowances and perquisites.

(3) The fact that the vice-chairman exercises any of the powers and does any act or thing for or on behalf of the State Bank shall be conclusive proof of his authority to do so.

29. (1) A managing director—

(a) shall be a whole-time officer of the State Bank; and

(b) subject to the general control of the chairman and the vice-chairman, shall exercise such powers and perform such duties as may be entrusted or delegated to him by the Central Board.

Powers and remuneration of managing director.

(2) A managing director shall receive such salary and allowances as may be determined by the Central Board with the approval of the Central Government:

Provided that in respect of the first managing director or directors, the Central Government may determine the salary and allowances payable to him or them.

30. The Central Board may constitute such and so many committees, including an executive committee, of itself as it deems fit to exercise such powers and perform such duties as may, subject to such conditions, if any, as the Central Board may impose, be delegated to them by the Central Board.

Executive and other committees of the Central Board.

31. (1) The Central Board shall meet at such time and place and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be laid down by regulations made in this behalf.

Meetings of the Central Board.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors present and in the case of equality of votes, the chairman or, in his absence, the vice-chairman shall have a second or casting vote.

(3) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the State Bank shall at the earliest possible opportunity disclose the nature of his interest to the Central Board and shall not be present at any meeting of the Central Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information, and no director so required to be present shall vote on any such contract, loan, arrangement or proposal.

(4) If for any reason neither the chairman nor the vice-chairman is able to be present at a meeting of the Board, any director, other

than a managing director, authorised by the chairman in writing in this behalf, shall preside at the meeting and, in the event of equality of votes, shall have a second or casting vote.

## CHAPTER VI

### BUSINESS OF THE STATE BANK

**32.** (1) The State Bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch, and where there is no branch of the banking department of the Reserve Bank, for—

(a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any Government in India; and

(b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.

(2) The terms and conditions on which any such agency business shall be carried on by the State Bank on behalf of the Reserve Bank shall be such as may be agreed upon.

(3) If no agreement can be reached on any matter referred to in sub-section (2) or if a dispute arises between the State Bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

(4) The State Bank may transact any business or perform any functions entrusted to it under sub-section (1) either by itself or through an agent approved by the Reserve Bank.

**33.** Subject to the other provisions contained in this Act, the State Bank may carry on and transact any of the following kinds of business, namely:—

(i) the advancing and lending of money and the opening of cash credits upon the security of—

(a) stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India or in any other country in which the State Bank has a branch;

(b) debentures or other securities for money issued by or on behalf of a district board, municipal board, committee or other local authority under the authority of any Central Act, Provincial Act or State Act or of any law for the time being in force in any other country in which the State Bank has a branch;

(c) subject to such directions as may be issued by the Central Board, debentures of companies with limited liabi-

Bank to  
act as agent  
of the Reser-  
ve Bank.

Other busi-  
ness which  
the State  
Bank may  
transact.

lity registered either in India or in such other country as the Central Government may approve in this behalf;

(d) subject to such directions as may be issued by the Central Board, shares and debentures of corporations established under any law for the time being in force in India;

(e) goods which, or the documents of title to which, are deposited with or assigned to the State Bank as security for such advances, loans or credits;

(f) goods which are hypothecated to the State Bank as security for such advances, loans or credits, if so authorised by special directions of the Central Board;

(g) accepted bills of exchange and promissory notes endorsed by payees, and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership;

(h) immovable property or documents of title relating thereto as collateral security only where the original security is one of those specified in sub-clauses (a) to (e) and, subject to such directions as may be issued by the Central Board, where the original security is one of the kinds specified in sub-clauses (f) and (g):

Provided that where the Central Government or a State Government or any Government or authority outside India, which the Central Government may approve in this behalf, may accept from the State Bank any advances or loans under any law for the time being in force, the Central Board may, if it thinks fit, make such advances or loans without any specific security;

(ii) the selling and realisation of the proceeds of sale of any promissory notes, debentures, stock-receipts, bonds, annuities, stock, shares, securities or goods which, or the documents of title to which, have been deposited with, or pledged, hypothecated, assigned or transferred to the State Bank as security for such advances, loans or credits or which are held by the State Bank or over which the State Bank is entitled to any lien or charge in respect of any loan, advance, credit or claim of the State Bank, and which have not been redeemed in due time in accordance with the terms and conditions of such deposit, pledge, hypothecation, assignment or transfer;

(iii) the drawing, accepting, discounting, buying and selling of bills of exchange and other negotiable securities;

(iv) the investing of the funds of the State Bank upon any of the securities specified in sub-clauses (a) to (d) of clause (i) and the conversion of the same into money whenever required, and the alteration, conversion or transposition of any such investment for or into any of the other investments above specified;

(v) the issuing of demand drafts, telegraphic transfers and other kinds of remittances made payable at its own offices, branches or agencies, the purchasing of drafts, telegraphic transfers and other remittances, and the making, issuing and circulating of letters of credit to order or otherwise than to the bearer on demand;

(vi) the buying and selling of gold and silver, whether coined or uncoined;

(vii) the receiving of deposits and keeping cash accounts on such terms as may be agreed upon;

(viii) the receiving of all kinds of bonds, scrip, title deeds or valuables on deposit or for safe custody or otherwise on such terms as may be agreed upon;

(ix) the selling and realising of all property, whether movable or immovable, which may in any way come into the possession of the State Bank in satisfaction or part satisfaction of any of its claims, and the acquisition and holding of, and generally the dealing with, any right, title or interest in any property, movable or immovable, which may be the State Bank's security for any loan or advance or may be connected with any such security;

(x) the acting as agent of any co-operative bank which is registered or deemed to be registered under the Co-operative Societies Act, 1912 or any other law for the time being in force in any part of India relating to co-operative societies in the transaction of such business, and on such terms as may be agreed upon;

(xi) the underwriting of the issues of any stocks, shares, debentures or other securities in which the State Bank is authorised to invest its funds under clause (iv);

(xii) the transacting of pecuniary agency business on commission and the entering into of contracts of indemnity, suretyship or guarantee with specific security or otherwise;



(xiii) the administration of estates for any purpose, whether as executor, trustee, liquidator, or otherwise, the acting as liquidator of a banking company or as an agent on commission in the transaction of the following kinds of business, namely:—

(a) the buying, selling, transferring and taking charge of any securities or any shares in any public company;

(b) the receiving of the proceeds (whether principal, interest or dividends) of any securities or shares;

(c) the remittance of such proceeds by bills of exchange, payable either in India or elsewhere;

(xiv) the drawing of bills of exchange and the granting of letters of credit payable out of India;

(xv) the buying of bills of exchange payable out of India at any usance not exceeding nine months in the case of bills relating to the financing of seasonal agricultural operations or six months in other cases;

(xvi) the borrowing of money for the purposes of the business of the State Bank, and the giving of security for money so borrowed by pledging assets or otherwise;

(xvii) the advancing or lending of money to, or the opening of cash credit in favour of, any company having a share capital which is expressed in rupees in its memorandum of association or any society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in India II of 1912, relating to co-operative societies, for the purpose of averting the winding up of the company or society or, where any such company or society is being wound up, for the purpose of facilitating such winding up, for any period upon the security of all or any of the assets whatsoever of such company or society and such advance, loan or cash credit may be made by the State Bank either alone or conjointly with other persons;

(xviii) the advancing and lending of money to courts of wards upon the security of estates in their charge or under their superintendence and the realisation of such advances or loans and any interest due thereon, provided that no such advance or loan shall be made without the previous sanction of the State Government concerned, and that the period for which any such advance or loan is made shall not exceed nine months in the case of advances or loans relating to the financing of seasonal agricultural operations and six months in other cases;

(xix) with the approval of the Reserve Bank, the subscribing to, buying, acquiring or holding, and the selling of any shares

in or the capital of any banking institution and the forming or conducting of any such banking institution as a subsidiary of the State Bank or in any other manner;

(xx) the subsidising from time to time of the pension funds referred to in section 8, if necessary;

(xxi) the doing of any other kind of business which the Central Government, in consultation with the Reserve Bank and on the recommendation of the Central Board, may authorise;

(xxii) the performance of the functions entrusted to, or required of, the State Bank by this Act or by any other law for the time being in force; and

(xxiii) generally, the doing of all such matters and things as may be incidental or subsidiary to the transacting of the various kinds of business, including foreign exchange business, herein specified.

34. (1) The State Bank shall not make a loan or advance—

(a) for a longer period than six months except as otherwise provided in this Act; or

(b) upon the security of stock or shares of the State Bank; or

(c) upon the security of any immovable property or the documents of the title relating thereto, except to the extent necessary for any of the purposes of this Act.

(2) The State Bank shall not, except upon a security of the kind specified in sub-clauses (a) to (e) of clause (i) of section 33 discount bills for any individual or firm for an amount exceeding in the whole at any one time such sum prescribed, or lend or advance in any way to any individual or firm an amount exceeding in the whole at any one time such sum as may be prescribed.

(3) The State Bank shall not discount or buy, or advance or lend, or open cash credits, on the security of any negotiable instrument of any individual or firm payable at the place where it is presented for discount which does not carry on it the safe responsibilities of at least two persons or firms unconnected with each other in general partnership.

(4) The State Bank shall not discount, lend or advance or open cash credits on the security of any negotiable security (not being a security in which a trustee may invest trust money under section 20 of the Indian Trusts Act, 1882, or the corresponding provision II of 1882.

Business  
which the  
State Bank  
may not  
transact.

of law for the time being in force in any country where the State Bank has a branch) which—

(a) at the date of the proposed transaction has a longer period to run than fifteen months, if the security is a bill drawn for the purpose of financing seasonal agricultural operations and six months in other cases; or

(b) if the security is a bill drawn after sight, it is drawn for a longer period than fifteen months in the case of a bill drawn for the purposes of financing seasonal agricultural operations and six months in other cases.

(5) Nothing contained in this section shall prevent the State Bank from allowing any person who keeps an account with the State Bank to overdraw such account without security to such extent as may be provided in the regulations.

(6) Save as otherwise provided in section 33, the State Bank shall not own or acquire any interest in immovable property except for the purpose of providing buildings or other accommodation in which to carry on the business of the State Bank or for providing residences for its officers and other employees.

35. (1) The State Bank may, with the sanction of the Central Government, and shall, if so directed by the Central Government in consultation with the Reserve Bank, enter into negotiations for acquiring the business, including the assets and liabilities, of any banking institution.

State Bank may acquire the business of other Banks.

(2) If the terms and conditions relating to the acquisition of any such banking institution are approved by the Central Board and the directorate of the banking institution concerned, they shall be submitted to the Central Government, and, if sanctioned by the Central Government by order in writing, shall, notwithstanding anything to the contrary contained in the Indian Companies Act, 1913, or in the Banking Companies Act, 1949, be binding on the State Bank and the banking institution concerned as well as the shareholders and creditors.

VII of 1913.  
X of 1949.

(3) The consideration for the acquisition of any banking institution or of any assets or liabilities of a banking institution under this section may, if so agreed upon, be paid either in cash or by allotment of shares in the capital of the State Bank or partly in cash and partly by way of such allotment, and the State Bank may, for the purpose of any such allotment of shares, increase, subject to the other provisions contained in this Act relating to the increase of capital, the capital of the State Bank by the issue of such number of shares as may be determined by the State Bank,

(4) Any banking business acquired under this section shall thereafter be carried on by the State Bank in accordance with the provisions of this Act subject to such exemptions or modifications as the Central Government may, by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank:

Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

## CHAPTER VII

### FUNDS, ACCOUNTS AND AUDIT

Integration  
and Develop-  
ment Fund.

36. (1) The State Bank shall maintain a special fund to be known as the Integration and Development Fund into which shall be paid—

(a) the dividends payable to the Reserve Bank on such shares of the State Bank held by it as do not exceed fifty-five per cent. of the total issued capital; and

**(b) such contributions as the Reserve Bank or the Central Government may make from time to time.**

(2) The amount in the said Fund shall be applied exclusively for meeting—

(a) losses in excess of such yearly sum as may be agreed upon between the Reserve Bank and the State Bank and attributable to the branches established in pursuance of sub-section (5) of section 16; and

(b) such other losses or expenditure as may be approved by the Central Government in consultation with the Reserve Bank.

(3) Subject to the provisions of sub-section (2), the said Fund shall be the property of the Reserve Bank and no shareholder of the State Bank or any other person shall have any claim to the amount held in the said Fund.

Reserve  
Fund.

37. The State Bank shall establish a Reserve Fund which shall consist of—

(a) the amount held in the Reserve Fund of the Imperial Bank transferred to the State Bank on the appointed day; and

(b) such further sums as may be transferred to it by the State Bank out of its annual net profits before declaring a dividend.

38. (1) After making provision for bad and doubtful debts, depreciation in assets, equalisation of dividends, contribution to staff and superannuation funds and for all other matters for which provision is necessary by or under this Act or which are usually provided for by banking companies, the State Bank may, out of its annual net profits, declare a dividend.

(2) Subject to the provisions of paragraph 6 of the First Schedule, the rate of dividend shall be determined by the Central Board.

39. The Central Board shall cause the books of the State Bank to be closed, and balanced on the 31st day of December in each year.

Disposal of profits.  
Books to be balanced each year.

40. (1) The State Bank shall furnish to the Central Government and to the Reserve Bank within two months from the date on which its accounts are closed and balanced its balance sheet, together with the profit and loss account and the auditors' report on the working of the State Bank during the period covered by the accounts.

Returns.

(2) The balance sheet and the profit and loss account shall be signed by the chairman, vice-chairman, managing directors, if any, and a majority of the other directors.

(3) The State Bank shall also, within two months from the date on which its accounts are closed and balanced, transmit to the Central Government and the Reserve Bank a statement showing, as far as may be available, the name, address and occupation of, and the number of shares held by, each shareholder of the State Bank as on the said date.

41. (1) The affairs of the State Bank shall be audited by two auditors duly qualified to act as auditors of companies under sub-section (1) of section 144 of the Indian Companies Act, 1913, who shall be appointed by the Reserve Bank in consultation with the Central Government.

VII of 1913.

Audit.

(2) The auditors shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) An auditor may be a shareholder but no director or member of a Local Board or of a Local Committee or an officer of the State Bank shall be eligible to be an auditor during his continuance in office as such director, member or officer.

(4) An auditor shall on relinquishing office be eligible for re-appointment.

(5) The auditors shall severally be, and continue to act as, auditors until the first general meeting after their respective appointment, and if any vacancy arises before the expiry of the term of office of an auditor, the vacancy may be filled by the Reserve Bank.

(6) Every auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the State Bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other documents of the State Bank;

(b) may, at the expense of the State Bank, or if he is appointed by the Central Government, at the expense of the Central Government, employ accountants or other persons to assist him in investigating such accounts; and

(c) may, in relation to such accounts, examine any director or any member of a Local Board or of a Local Committee or any officer of the State Bank.

(7) The auditors shall make a report to the Central Government upon the annual balance sheet and accounts, and in every such report they shall state—

(a) whether, in their opinion, the balance sheet is a full and fair balance sheet containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the State Bank, and in case they have called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of the State Bank which have come to their notice have been within the powers of the State Bank;

(c) whether or not the returns received from the offices and branches of the State Bank have been found adequate for the purpose of their audit;

(d) whether the profit and loss account shows a true balance of profit and loss for the period covered by such account; and

(e) any other matter which they consider should be brought to the notice of the shareholders or the Central Government, as the case may be.

(8) Without prejudice to anything contained in the foregoing provisions, the Central Government may appoint at any time such auditors as it thinks fit to examine and report on the accounts of the State Bank.

42. (1) A general meeting (hereinafter referred to as an annual general meeting) shall be held at such time and at such place where there is a local head office of the State Bank, as shall from time to time be specified by the Central Board before the end of February in each year, and a general meeting may be convened by the State Bank at any other time:

Balance sheet etc. of State Bank may be discussed at general meeting.

Provided that the first annual general meeting shall be held at Bombay.

(2) The shareholders present at an annual general meeting shall be entitled to discuss the balance sheet and the profit and loss account of the State Bank made upto the previous 31st day of December, the report of the Central Board on the working of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts.

## CHAPTER VIII

### MISCELLANEOUS

43. The State Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions, and determine the terms and conditions of their appointment and service.

State Bank may appoint officers and other employees.

44. (1) The State Bank shall observe, except as otherwise required by law, the practices and usages customary among bankers, and, in particular, it shall not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the State Bank to divulge such information.

Obligation as to fidelity and secrecy.

(2) Every director, member of a Local Board or of a Local Committee, auditor, adviser, officer or other employee of the State Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule.

45. No provision of law relating to the winding up of companies shall apply to the State Bank, and the State Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Bar to liquidation of State Bank.

46. (1) Every director and every member of a Local Board or a Local Committee shall be indemnified by the State Bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as are caused by his own wilful act or default.

Indemnity of directors and members of Local Boards and Local Committees, etc.

(2) Neither a director nor a member of a Local Board or a Local Committee shall be responsible for any loss or expense caused to the State Bank by the insufficiency or deficiency of the value of or title to any property or security acquired or taken on behalf of the State Bank or by the insolvency or wrongful act of any customer or debtor or by anything done in or in relation to the execution of the duties of his office or otherwise than for his wilful act or default.

Defect in  
appointment  
or constitu-  
tion not to  
invalidate  
acts or pro-  
ceedings.

47. (1) No act or proceeding of the Central Board or of a Local Board or a Local Committee shall be questioned on the ground merely of the existence of any vacancy or defect in the constitution of the Board or Committee, as the case may be.

(2) All acts done by any person acting in good faith as a director or as a member of a Local Board or of a Local Committee shall, notwithstanding that there was some defect in his appointment or qualifications, be as valid as if he was a director of the Central Board or a member of the Local Board or the Local Committee, as the case may be.

Power to  
remove di-  
fficulties.

48. The Central Government may, for the purpose of removing any difficulties, particularly in relation to transition from the provisions of the Imperial Bank of India Act, 1920, to the provisions of this Act, by order, direct that this Act shall, during such period as may be specified in such order, have effect subject to such adaptations, whether by way of modification, addition or omission, as it may deem expedient: XLVII of 1920.

Provided that no such order shall be made after the expiry of one year from the appointed day.

Power of  
Central Gov-  
ernment to  
make rules.

49. (1) The Central Government, in consultation with the Reserve Bank, may, by notification in the Official Gazette, make rules to carry out the purposes of this Act,

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the procedure for the payment of compensation under this Act;

(b) the determination of persons to whom the said compensation shall be payable in cases where shares in the Imperial Bank have been held by more than one person or where the shareholder is dead;

Power of  
Central  
Board to  
make regu-  
lations.

50. (1) The Central Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, make regulations, not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.



(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the nature of shares of the State Bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;

(b) the maintenance of share registers, and the particulars to be entered in the principal register in addition to those specified in section 13, the areas to be served by each branch register, the inspection and closure of the registers and all other matters connected therewith;

(c) the holding and conduct of elections under this Act, including the allocation of elected directors to the various areas served by the different branch registers, and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;

(d) the number of elected or nominated members of Local Boards and Local Committees, the terms of office of the members, the manner of their election or nomination, the powers, functions, and duties of the Local Boards and Local Committees, the holding of meetings of Local Boards and Committees and the conduct of business thereat;

(e) the fees and allowances which may be paid to directors, or members of Local Boards or Local Committees for attending any meetings of the Central Board or of its committees or of the Local Boards or Local Committees, as the case may be, or for attending to any other work of the State Bank;

(f) the manner in which the business of the Central Board shall be transacted and the procedure to be followed at the meetings thereof;

(g) the formation of committees of the Central Board and the delegation of powers and functions of the Central Board to such committees and the conduct of business in such committees;

(h) the delegation of powers and functions of the Central Board to the vice-chairman, the managing directors or other directors or officers or other employees of the State Bank;

(i) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;

(j) the holding of meetings of shareholders on branch registers and the business to be transacted thereat;

(k) the manner in which notices may be served on behalf of the State Bank upon shareholders or other persons;

(l) the provision of seals for the State Bank and the manner and effect of their use;

(m) the conduct and defence of legal proceedings and the manner of signing pleadings;

(n) the duties and conduct of officers, other employees, advisers and agents of the State Bank;

(o) the establishment and maintenance of pension, provident or other funds for the benefit of employees of or for the purposes of the State Bank;

(p) the form and manner in which contracts binding on the State Bank may be executed;

(q) the maximum amounts which may be advanced or lent to, or for which bills may be discounted for, any individual or partnership without security, the conditions under which advances may be made on security and the extent to which accounts may be overdrawn without security.

(r) the conditions subject to which alone, advances may be made to directors, members of Local Boards or of Local Committees or officers of the State Bank, or the relatives of such directors, members or officers or to companies, firms or individuals with which or with whom such directors, members, officers, or relatives, are connected as partners, directors, managers, servants, shareholders or otherwise;

(s) the statements, returns, and forms that are required by this Act to be prescribed;

(t) generally for the conduct of the business of the State Bank.

(3) Notwithstanding anything contained in this section, the first regulations shall be made by the Reserve Bank with the previous sanction of the Central Government, and thereupon shall be deemed to be the regulations made by the Central Board under this section and shall have force accordingly until they are amended or repealed.

**Dissolution  
of the Imperial  
Bank  
and repeal of  
Act XLVII  
of 1920.**

51. (1) As from the appointed day, the Imperial Bank shall be dissolved, and thereafter no person shall make any claim or demand or take any proceeding against that Bank or a director, officer or employee thereof in his capacity as such director, officer or employee except in so far as may be necessary for enforcing the provisions of this Act or except in so far as it relates to any offence committed by any such director, officer or other employee.

- XLVII of 1920. (2) As from the appointed day, the Imperial Bank of India Act, 1920, shall stand repealed.
- XLVII of 1920. (3) Without prejudice to the other provisions contained in this Act and notwithstanding the repeal of the Imperial Bank of India Act, 1920, any reference to the Imperial Bank or to the Bank of Bengal, the Bank of Madras or the Bank of Bombay in any law, notification or in any contract or other instrument shall, as from the appointed day, be deemed to be a reference to the State Bank.
- II of 1934. 52. As from the appointed day, the Reserve Bank of India Act, 1934, shall be amended in the manner directed in the Third Schedule. Amendment of Act II of 1934.
- X of 1949. 53. As from the appointed day, the Banking Companies Act, 1949, shall be amended in the manner directed in the Fourth Schedule. Amendment of Act X of 1949.

## THE FIRST SCHEDULE

(See section 9)

### COMPENSATION FOR THE TRANSFER OF SHARES OF THE IMPERIAL BANK TO THE RESERVE BANK.

1. In this Schedule, "shareholder" means any person who immediately before the appointed day is registered as the holder of a share in the Imperial Bank.

2. As full compensation for the shares in the capital of the Imperial Bank which, by reason of this Act, are transferred to and vested in the Reserve Bank, the Reserve Bank shall pay to every shareholder, in the manner set out hereinafter, an amount calculated at the rate of one thousand seven hundred and sixty-five rupees and ten annas per share in the case of a fully paid up share and four hundred and thirty-one rupees, twelve annas and four pies per share in the case of a partly paid-up share.

3. Notwithstanding the transfer of the shares in the capital of the Imperial Bank to the Reserve Bank, any shareholder who immediately before the appointed day is entitled to payment of dividend on the shares of the Imperial Bank held by him shall be entitled to receive from the State Bank—

(a) all dividends accruing due on his shares in respect of any half-year which ended before the appointed day and remaining unpaid;

(b) dividends calculated at a rate to be specified by the Central Government in respect of any period immediately preceding the appointed day for which the Imperial Bank has not declared any dividend.

4.(1) The compensation provided for in this Schedule shall be given in Central Government securities, and the form of such securities and the value thereof, computed with reference to their market value, shall be such as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where the amount of such compensation is not an exact multiple of the value of the government security as so notified, the amount in excess of the nearest lower multiple of such value shall be paid by cheque drawn on the Reserve Bank.

(2) Notwithstanding anything contained in sub-paragraph, (1), any person who is registered as the holder of a share in the Imperial Bank on the 19th day of December, 1954 shall, if he applies in writing in this behalf to the Reserve Bank before the expiry of one month from the appointed day, be entitled to be paid, by cheque drawn on the Reserve Bank, any compensation payable to him up to the first ten thousand rupees.

5. (1) Any shareholder to whom compensation is payable under this Schedule may apply to the Reserve Bank before the expiry of three months from the appointed day for the transfer to him of shares in the State Bank in lieu of such compensation, and for the purposes of such transfer the value of each share of the State Bank shall be such as may be determined by the Reserve Bank in this behalf.

(2) If on receipt of an application under sub-paragraph (1), the Reserve Bank, in its discretion, decides to transfer any shares to the applicant, it shall issue to the State Bank a warrant in the prescribed form directing it to transfer in favour of the person specified in the warrant such number of shares as may be specified therein out of the shares standing allotted to it under sub-section (1) of section 5, and the State Bank shall be bound to comply with such warrant.

II of 1899.

(3) A warrant issued by the Reserve Bank under this paragraph shall not be liable to duty under the Indian Stamp Act, 1899.

6. (1) The Reserve Bank may, if it decides to transfer, in pursuance of paragraph 5, more than two lakhs, fifty-three thousand and one hundred and twenty-five shares, require the State Bank to issue to it such further shares as may be necessary to secure that it holds not less than fifty-five per cent. of the issued capital of the State Bank, and the State Bank shall, without prejudice to the provisions contained in sub-section (3) of section 5, comply with such requirement on the Reserve Bank subscribing one hundred rupees for each share.

(2) No share issued to the Reserve Bank at par under this paragraph shall carry dividend at a rate higher than four per cent. per annum.

## THE SECOND SCHEDULE

(See section 44)

## DECLARATION OF FIDELITY AND SECRECY

I ..... do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Director, member of Local Board, member of Local Committee, auditor, adviser, officer or other employee (as the case may be) of the State Bank and which properly relate to the office or position in the said State Bank held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the State Bank or to the affairs of any person having any dealing with the State Bank; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the State Bank and relating to the business of the State Bank or to the business of any person having any dealing with the State Bank.

## THE THIRD SCHEDULE

(See section 52)

## AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934.

II of 1934.

Section 2.—After clause (e), insert the following, namely:—

“(ee) ‘State Bank’ means the State Bank of India constituted under the State Bank of India Act, 1955.”

Section 10.—In clause (e) of sub-section (1), for the words “other than a bank”, substitute the following, namely:—

“other than the State Bank or any of its subsidiary banks or a bank”.

Section 17.—(1) After clause (8), insert the following, namely:—

“(8A) the purchase and sale of shares in, or the capital of, the State Bank or any of its subsidiary banks”.

(2) For clause (15A), substitute the following namely:—

“(15A) the exercise of powers and functions and the performance of duties entrusted to the Bank under this Act or under any other law for the time being in force”.

Section 42.—(i) In the *Explanation* to sub-section (1), for the words “the Reserve Bank or the Imperial Bank of India” substitute “the Bank, the State Bank or any other

bank notified by the Central Government in this behalf".

- (ii) In clauses (a) and (aa) of sub-section (2), for the words "the Imperial Bank of India" substitute "the State Bank and any other bank notified by the Central Government in this behalf."

For section 45, substitute the following, namely:—

"45. Unless otherwise directed by the Central Government with reference to any place, the Bank shall appoint the State Bank as its sole agent at all places in India where it does not have an office or branch of the banking department and there is a branch of the State Bank: Obligation to appoint State Bank as Agent.

Provided that nothing herein contained shall affect the provisions of any agreement subsisting on the day on which the State Bank of India Act, 1955, comes into force between the Bank and any other banking institution for the conduct of Government business or other matters in a Part B State."

THE SECOND SCHEDULE.—For the words "Imperial Bank of India" substitute "State Bank of India".

Omit the Third Schedule.

## THE FOURTH SCHEDULE

(See section 53)

X of 1949.]

### AMENDMENTS TO THE BANKING COMPANIES ACT, 1949.

In section 39.—After the words "the Reserve Bank" appearing for the second time therein, insert "or the State Bank of India, as the case may be, as stated in such application."

For section 51, substitute the following, namely:—

"51. Without prejudice to the provisions of the State Bank of India Act, 1955, the provisions of sections 10, 13 to 17, 19 to 21, 23 to 31, 34 to 36, 37, 45, 46 to 48, 50, 52 and 53 shall also apply, as far as may be, to and in relation to the State Bank of India as they apply to and in relation to banking companies: Application of certain provisions to the State Bank of India.

Provided that nothing contained in section 46 shall apply to any directors nominated under clauses (e) and (f) of section 19 of the State Bank of India Act 1955."

## STATEMENT OF OBJECTS AND REASONS

The Reserve Bank of India had appointed in August, 1951 a Committee of Direction for conducting an all-India rural credit survey. The General Report of the survey embodying the Committee's recommendations was received last year. The Report makes comprehensive recommendations relating to numerous aspects of the problem of rural credit. One of the important recommendations and an integral part of the solution of the rural credit problem propounded by the Committee is the setting up of a State Bank of India as 'one strong integrated State-partnered commercial banking institution with an effective machinery of branches spread over the whole country for stimulating banking development by providing vastly extended remittance facilities for co-operative and other banks and following a policy which would be in effective consonance with national policies adopted by Government without departing from the canons of sound business'. Such a State Bank of India is envisaged as coming into being by the amalgamation of the Imperial Bank of India with certain "State-associated" banks. On the 20th December, 1954, Government announced that they accepted in principle this recommendation of the Committee and that they had decided as a first step towards the setting up of such an institution, to assume effective control over the Imperial Bank. This Bill seeks to give effect to this decision.

Suitable provisions are made relative to the acquisition of the undertaking of the Imperial Bank, the taking over of its business and staff, the payment of compensation to shareholders, the setting up of an appropriate machinery for the governance of the State Bank of India, the business which the Bank may and may not transact, etc. It is contemplated that the Reserve Bank will always hold a minimum shareholding of 55 per cent. in the paid-up capital of the Bank. By virtue of this holding and the composition of the Board of Directors of the Bank as well as by virtue of the power to give directions in matters of policy involving public interest vested in the Central Government, it is provided that the general working of the State Bank of India shall be responsive to and in consonance with Government policies while the autonomy of the institution in its day-to-day working will be fully maintained. Amendments necessary to the Reserve Bank of India, Act, 1934, and to the Banking Companies Act, 1949, consequentially to the establishment of this institution, have been provided for in the Third and Fourth Schedules to the Bill.

NEW DELHI;

*The 14th April, 1955.*

C. D. DESHMUKH.

## FINANCIAL MEMORANDUM

Under clause 36(1)(b), the Central Government may make contributions from time to time to the Integration and Development Fund to be maintained by the State Bank under clause 36(1). As the Reserve Bank of India, besides allowing the dividends payable on its holding of shares of the State Bank to be credited to the Fund, is also expected to make contributions to the above Fund, Government's contributions may not be called for and, in any event, it is not possible to make any estimate thereof at the present stage.

Under clause 41(8), Government may appoint auditors to examine and report on the accounts of the State Bank; and any auditor so appointed may at the expense of the Central Government employ accountants or other persons to assist him in investigating the accounts [see clause 41(6)(b)]. Here again, it is not possible to estimate the expenditure likely to be involved but even if auditors and accountants are in fact appointed, the expenditure is not likely to exceed a few thousand rupees per month for the period of their appointment.

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 49 authorises the Central Government to make rules regulating the manner in which the compensation payable under this law will be distributed to the shareholders and for the determination of persons entitled to the compensation where shares are held by more than one person. The power to regulate the day to day working of the State Bank has necessarily to be vested in the Central Board of the State Bank. This Bill therefore confers upon the Central Board a power to make regulations in respect of the several matters detailed in clause 50. Such of those provisions as are contained in Schedules I and II of the Imperial Bank of India Act, 1920, and as are of a major character have been incorporated in the body of the Bill itself and the other matters for which provision is made in those two Schedules, particularly in Schedule II, are left to be regulated by the Central Board by means of regulations made in this behalf. These regulations, generally speaking, deal with the normal day to day working of the State Bank and the powers delegated to the Central Government and to the Central Board under clauses 49 and 50 are of a normal character.

Clause 48 is designed to get over any difficulty that may arise in the course of transition from the Imperial Bank of India Act, 1920, to the new law, and authorises the Central Government to remove such difficulty by suitably modifying the provisions of this new law.



This power is restricted in its duration to one year. A somewhat similar power was included in s. 30 of the Imperial Bank of India Act, 1920, with respect to the first formation of certain bodies and is not an entirely unusual feature in similar enactments.

**BILL\* No. 19 of 1955**

*A Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the service of the financial year 1955-56.*

BE it enacted by Parliament in the Sixth Year of the Republic of India as follows:—

1. This Act may be called the Appropriation (No. 2) Act, 1955. **Short title.**

2. From and out of the Consolidated Fund of India there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate [inclusive of the sums specified in column 3 of the Schedule to the Appropriation (Vote on Account) Act, 1955 (8 of 1955)] to the sums of three thousand seven hundred and eleven crores, seventy-two lakhs and twenty-seven thousand rupees towards defraying the several charges which will come in course of payment during the financial year 1955-56 in respect of the services specified in column 2 of the Schedule.

Issue of Rs.  
37,11,72,-  
27,000  
out of the  
Consolidated  
Fund of  
India for the  
year 1955-56.

3. The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

**Appropriation.**

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\*The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India recommended to Lok Sabha the introduction and consideration of the Bill.

## THE SCHEDULE

(See sections 2 and 3)

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consolidated Fund	Total
		Rs.	Rs.	Rs.
1	Ministry of Commerce and Industry . . . . .	82,00,000	..	82,00,000
2	Industries . . . . .	16,50,72,000	..	16,50,72,000
3	Commercial Intelligence and Statistics . . . . .	53,71,000	..	53,71,000
4	Miscellaneous Departments and Expenditure under the Ministry of Commerce and Industry . . . . .	64,66,000	..	64,66,000
5	Ministry of Communications .	11,65,000	..	11,65,000
6	Indian Posts and Telegraphs Department (including working expenses) . . . . .	48,85,41,000	2,37,44,000	51,22,85,000
7	Meteorology . . . . .	1,25,71,000	..	1,25,71,000
8	Overseas Communication Service . . . . .	99,79,000	5,67,000	1,05,46,000
9	Aviation . . . . .	2,72,82,000	..	2,72,82,000
10	Miscellaneous Departments and Expenditure under the Ministry of Communications	18,64,000	..	18,64,000
11	Ministry of Defence . . .	30,74,000	..	30,74,000
12	Defence Services—Effective—Army . . . . .	1,55,88,19,000	..	1,55,88,19,000
13	Defence Services—Effective—Navy . . . . .	12,72,44,000	..	12,72,44,000
14	Defence Services—Effective—Air Force . . . . .	35,48,42,000	..	35,48,42,000
15	Defence Services—Non-effective Charges . . . . .	16,33,95,000	5,000	16,34,00,000
16	Ministry of Education . . .	54,50,000	..	54,50,000
17	Archæology . . . . .	55,06,000	..	55,06,000

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consolidated Fund	Total
		Rs.	Rs.	Rs.
18	Other Scientific Departments . . . . .	2,77,25,000	..	2,77,25,000
19	Education . . . . .	17,97,17,000	..	17,97,17,000
20	Miscellaneous Departments and Expenditure under the Ministry of Education . . . . .	2,62,28,000	..	2,62,28,000
21	Tribal Areas . . . . .	5,82,67,000	..	5,82,67,000
22	External Affairs . . . . .	6,77,45,000	..	6,77,45,000
23	State of Pondicherry . . . . .	2,07,09,000	1,34,000	2,08,43,000
24	Miscellaneous Expenditure under the Ministry of External Affairs . . . . .	2,05,000	..	2,05,000
25	Ministry of Finance . . . . .	1,85,11,000	..	1,85,11,000
26	Customs . . . . .	3,81,70,000	5,000	3,81,75,000
27	Union Excise Duties . . . . .	6,71,95,000	16,66,46,000	23,38,41,000
28	Taxes on Income including Corporation Tax and Estate Duty . . . . .	3,96,76,000	1,29,000	3,98,05,000
29	Opium . . . . .	1,72,07,000	..	1,72,07,000
30	Stamps . . . . .	1,31,91,000	5,93,000	1,37,84,000
31	Payments to other Governments, Departments, etc. . . . .	11,06,000	..	11,06,000
32	Audit . . . . .	7,94,26,000	18,32,000	8,12,58,000
33	Currency . . . . .	2,34,97,000	7,00,000	2,41,97,000
34	Mint . . . . .	1,00,24,000	..	1,00,24,000
35	Territorial and Political Pen- sions . . . . .	27,33,000	..	27,33,000
36	Superannuation Allowances and Pensions . . . . .	3,51,02,000	12,08,000	3,63,10,000
37	Miscellaneous Departments and Other Expenditure under the Ministry of Finance . . . . .	21,03,86,000	..	21,03,86,000
38	Grants-in-aid to States . . . . .	20,82,06,000	15,07,00,000	35,89,06,000

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consolidated Fund	Total
		Rs.	Rs.	Rs.
39	Miscellaneous Adjustments between the Union and State Governments . . . .	3,55,000	..	3,55,000
40	Pre-partition payments . . . .	1,27,74,000	26,000	1,28,00,000
	<i>Charged.—Interest on Debt and other obligations and reduction or avoidance of debt . . . .</i>	..	1,01,32,22,000	1,01,32,22,000
41	Ministry of Food and Agriculture	62,99,000	..	62,99,000
42	Forest . . . . .	95,93,000	..	95,93,000
43	Agriculture . . . . .	14,71,85,000	..	14,71,85,000
44	Civil Veterinary Services . . . .	78,06,000	..	78,06,000
45	Miscellaneous Departments and other Expenditure under the Ministry of Food and Agriculture . . . . .	5,73,70,000	..	5,73,70,000
46	Ministry of Health . . . . .	7,98,000	..	7,98,000
47	Medical Services . . . . .	1,98,22,000	..	1,98,22,000
48	Public Health . . . . .	6,49,93,000	..	6,49,93,000
49	Miscellaneous Expenditure under the Ministry of Health	88,03,000	..	88,03,000
50	Ministry of Home Affairs . . . .	2,10,56,000	..	2,10,56,000
51	Cabinet . . . . .	31,30,000	..	31,30,000
52	Delhi . . . . .	1,61,28,000	..	1,61,28,000
53	Police . . . . .	1,77,79,000	..	1,77,79,000
54	Census . . . . .	20,00,000	..	20,00,000
55	Privy Purses and Allowances of Indian Rulers . . . . .	2,70,000	5,42,77,000	5,45,47,000
56	Andaman and Nicobar Islands . .	2,00,32,000	..	2,00,32,000
57	Kutch . . . . .	1,35,12,000	..	1,35,12,000
58	Manipur . . . . .	93,34,000	..	93,34,000
59	Tripura . . . . .	1,46,68,000	25,000	1,46,93,000
60	Relations with States . . . .	45,68,000	..	45,68,000

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consoli- dated Fund	Total
		Rs.	Rs.	Rs.
61	Miscellaneous Departments and Expenditure under the Ministry of Home Affairs . . .	1,83,64,000	..	1,83,64,000
62	Ministry of Information and Broadcasting . . .	41,43,000	..	41,43,000
63	Broadcasting . . .	3,13,35,000	..	3,13,35,000
64	Miscellaneous Departments and expenditure under the Ministry of Information and Broadcasting . . .	1,23,99,000	..	1,23,99,000
65	Ministry of Irrigation and Power . . .	11,43,000	..	11,43,000
66	Irrigation (including working expenses), Navigation, Embankment and Drainage Works met from Revenue . . .	25,000	..	25,000
67	Multi-purpose River Schemes .	1,04,67,000	..	1,04,67,000
68	Miscellaneous Departments and Expenditure under the Ministry of Irrigation and Power . . .	64,71,000	..	64,71,000
69	Ministry of Labour . . .	34,30,000	..	34,30,000
70	Chief Inspector of Mines .	10,31,000	..	10,31,000
71	Miscellaneous Departments and Expenditure under the Ministry of Labour . . .	3,40,64,000	..	3,40,64,000
72	Employment Exchanges and Resettlement . . .	1,74,20,000	..	1,74,20,000
73	Civil Defence . . .	1,20,000	..	1,20,000
74	Ministry of Law . . .	1,38,52,000	..	1,38,52,000
75	Administration of Justice .	2,25,000	10,13,000	12,38,000
76	Ministry of Natural Resources and Scientific Research .	9,55,000	..	9,55,000
77	Survey of India . . .	1,52,44,000	..	1,52,44,000
78	Botanical Survey . . .	12,07,000	..	12,07,000
79	Zoological Survey . . .	5,17,000	..	5,17,000
80	Geological Survey . . .	74,26,000	..	74,26,000
81	Mines . . .	56,32,000	..	56,32,000

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Par- liament	Charged on the Consoli- dated Fund	Total
		Rs.	Rs.	Rs.
82	Scientific Research . . . .	5,18,47,000	..	5,18,47,000
83	Miscellaneous Departments and expenditure under the Minis- try of Natural Resources and Scientific Research . . . .	15,000	..	15,000
84	Department of Parliamentary Affairs . . . . .	1,72,000	..	1,72,000
85	Ministry of Production . . .	10,54,000	..	10,54,000
86	Salt . . . . .	1,32,38,000	3,36,000	1,35,74,000
87	Other Organisations under the Ministry of Production . . .	1,11,72,000	..	1,11,72,000
88	Government Collieries . . .	4,24,38,000	22,98,000	4,47,36,000
89	Miscellaneous Departments and Expenditure under the Ministry of Production . . .	98,14,000	..	98,14,000
90	Ministry of Rehabilitation . .	25,65,000	..	25,65,000
91	Expenditure on Displaced persons . . . . .	10,36,78,000	..	10,36,78,000
92	Miscellaneous Expenditure under the Ministry of Reha- bilitation . . . . .	10,000	..	10,000
93	Ministry of Transport . . .	44,71,000	..	44,71,000
94	Ports and Pilotage . . . .	68,65,000	..	68,65,000
95	Lighthouses and Lightships .	81,52,000	..	81,52,000
96	Central Road Fund . . . .	4,60,48,000	..	4,60,48,000
97	Communications (including Na- tional Highways). . . . .	5,06,52,000	..	5,06,52,000
98	Miscellaneous Expenditure under the Ministry of Trans- port . . . . .	35,21,000	..	35,21,000
99	Ministry of Works, Housing and Supply . . . . .	41,62,000	..	41,62,000
100	Supplies . . . . .	2,80,05,000	..	2,80,05,000
101	Other Civil Works . . . .	18,65,69,000	24,33,000	18,90,02,000

1	2	3		
		Sums not exceeding		
		Voted by Parliament	Charged on the Consolidated Fund	Total
No. of Vote	Services and purposes			
		Rs.	Rs.	Rs.
102	Stationery and Printing . . . .	6,72,77,000	..	6,72,77,000
103	Miscellaneous Departments and Expenditure under the Ministry of Works, Housing and Supply. . . . .	70,92,000	..	70,92,000
104	Parliament . . . . .	1,16,13,000	1,40,000	1,17,53,000
105	Miscellaneous Expenditure under the Parliament Secretariat . . . . .	30,000	..	30,000
	<i>Charged.—Staff, Household and Allowances of the President . . . . .</i>	..	16,64,000	16,64,000
106	Secretariat of the Vice-President . . . . .	73,000	..	73,000
	<i>Charged.—Union Public Service Commission . . . . .</i>	..	27,09,000	27,09,000
107	Capital Outlay of the Ministry of Commerce and Industry . . . . .	16,47,10,000	..	16,47,10,000
108	Capital Outlay on Indian Posts and Telegraphs (not met from Revenue) . . . . .	26,02,78,000	..	26,02,78,000
109	Capital outlay on Civil Aviation . . . . .	5,35,10,000	..	5,35,10,000
110	Other Capital Outlay of the Ministry of Communications . . . . .	6,12,68,000	..	6,12,68,000
111	Defence Capital Outlay . . . . .	24,64,00,000	..	24,64,00,000
112	Capital Outlay of the Ministry of Education . . . . .	33,37,000	..	33,37,000
113	Capital Outlay of the Ministry of External Affairs . . . . .	25,00,000	..	25,00,000
114	Capital Outlay on the India Security Press . . . . .	3,50,000	..	3,50,000
115	Capital Outlay on Currency . . . . .	7,84,80,000	..	7,84,80,000
116	Capital Outlay on Mints . . . . .	50,30,000	..	50,30,000
117	Commuted value of pensions . . . . .	74,26,000	..	74,26,000
118	Payments to Retrenched Personnel . . . . .	46,000	..	46,000

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consoli- dated Fund	Total
		Rs.	Rs.	Rs.
119	Other Capital Outlay of the Ministry of Finance . . . .	43,53,05,000	..	43,53,05,000
120	Loans and Advances by the Central Government . . . .	65,04,15,000	2,90,18,93,000	3,55,23,08,000
	<i>Charged.—Repayment of Debt . . . .</i>	..	22,67,30,33,000	22,67,30,33,000
121	Capital Outlay on Forests . . . .	43,97,000	..	43,97,000
122	Purchases of foodgrains . . . .	90,24,00,000	..	90,24,00,000
123	Other Capital Outlay of the Ministry of Food and Agriculture . . . . .	75,58,76,000	11,55,000	75,70,31,000
124	Capital Outlay of the Ministry of Health . . . . .	10,01,01,000	..	10,01,01,000
125	Capital Outlay of the Ministry of Home Affairs . . . .	2,79,74,000	..	2,79,74,000
126	Capital Outlay on Broadcas- ting . . . . .	3,99,73,000	..	3,99,73,000
127	Capital Outlay on Multipurpose River Scheme . . . . .	4,31,64,000	..	4,31,64,000
128	Other Capital Outlay of the Ministry of Irrigation and Power . . . . .	1,40,000	..	1,40,000
129	Capital Outlay of the Ministry of Labour . . . . .	51,35,000	..	51,35,000
130	Capital Outlay of the Ministry of Natural Resources and Scientific Research . . . .	3,29,40,000	..	3,29,40,000
131	Capital Outlay of the Ministry of Production . . . . .	9,73,65,000	..	9,73,65,000
132	Capital Outlay of the Ministry of Rehabilitation . . . . .	31,05,00,000	..	31,05,00,000
133	Capital Outlay on Ports . . . . .	4,77,86,000	..	4,77,86,000
134	Capital Outlay on Roads . . . .	16,30,00,000	..	16,30,00,000
135	Other Capital Outlay of the Ministry of Transport . . . .	1,38,60,000	..	1,38,60,000
136	New Delhi Capital Outlay . . . .	6,85,44,000	59,000	6,86,03,000



1	2	3		
No. of Vote	Services and purposes	Sums not exceeding		
		Voted by Parliament	Charged on the Consolidated Fund	Total
		Rs.	Rs.	Rs.
137	Capital Outlay on buildings	8,96,02,000	..	8,96,02,000
138	Other Capital Outlay of the Ministry of Works, Housing and Supply	5,07,24,000	..	5,07,24,000
	GRAND TOTAL	10,11,66,81,000	27,00,05,46,000	37,11,72,27,000

## STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114(1) of the Constitution of India to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the expenditure charged on the Consolidated Fund and the grants made by the Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year 1955-56.

C. D. DESHMUKH.

NEW DELHI;

The 6th April, 1955.

M. N. KAUL.

Secretary.

